

1 at the time.

2 Q. What did he tell you?

3 A. That we had maybe a half a dozen risks and
4 that the amount of premium involved was very low and
5 the amount of limits exposed was very low.

6 Q. Did you discuss whether there was any
7 reinsurance protection in place for those risks?

8 A. Yes.

9 Q. And what did you find out on that score?

10 A. I was told and was given an exhibit, a
11 spreadsheet, that identified the half dozen risks and
12 the written premium and the net limits exposed.

13 Q. Do you have any knowledge -- withdrawn.

14 Were you aware that there was in place,
15 during this period of time, a quota-share treaty
16 protecting the entertainment business that was being
17 written in Mr. Gumbrecht's operation?

18 A. Yes.

19 Q. And do you recall, as you sit here today,
20 who the quota-share reinsurer was?

21 A. There were a number of reinsurers.

22 Q. Was AXA Re one of the reinsurers?

23 A. I believe they were.

24 Q. Who had arranged that quota-share treaty,
25 to your knowledge?

1 A. As in all treaties, it's a collaboration
2 between the profit center manager -- in this case,
3 Peter -- working with our reinsurance department.

4 Q. Was Peter the profit center manager for
5 entertainment risks being written out of AIG Europe
6 U.K.?

7 A. Yes.

8 Q. Okay. In the normal course, if Peter was
9 arranging a treaty of reinsurance to protect that
10 business, would you be informed of that?

11 A. Yes.

12 Q. And as part of the process of informing you
13 of that, would there be some description of what the
14 business was that was being written and being
15 reinsured?

16 A. Yes.

17 Q. And given the fact that this quota-share
18 reinsurance treaty was in place, what did you
19 understand the business to be that was being
20 reinsured at the time the reinsurance treaty was
21 placed?

22 A. The production packages, the prize
23 indemnity, the event liability, and the prize
24 indemnity.

25 Q. And did you come to that understanding

1 because there was some writing which described those
2 businesses and the extent of the exposures that was
3 to be presented to a potential reinsurer?

4 A. Yes. There is -- a submission typically is
5 given to the reinsurers.

6 Q. And did this submission -- withdrawn.

7 I take it this submission said nothing
8 about GAP film finance business?

9 A. I don't believe it did.

10 Q. Okay. Do you know when it was that this
11 treaty was originally placed?

12 A. I believe it would have been -- I don't
13 recall if it was January of '96 or one of the early
14 months of '96. It may actually have started in '95.

15 Q. Before you came on board?

16 A. Uh-huh.

17 Q. Okay.

18 A. Yes.

19 THE WITNESS: I'm working on it.

20 Q. (BY MR. BANNIGAN) If it was placed in
21 1995, at that time, Peter wasn't writing GAP film
22 finance business, correct?

23 A. I've subsequently discovered that.

24 Q. Excuse me?

25 A. I've subsequently discovered that.

1 Q. Well, I'm just asking you based on what
2 you've already testified to, that as far as you were
3 aware, when he was in the U.S., he was not writing
4 it. And you were on board and he was on board, both
5 working in the U.S. for a while before he went to
6 London, correct?

7 A. For very short span of time, correct.

8 Q. Okay. But it wasn't until he went to
9 London, according to your understanding, that he
10 began to write film finance risks, correct?

11 A. I believe so, yes.

12 Q. Well, you've not seen any evidence to
13 suggest otherwise, have you?

14 A. No.

15 Q. So at the time the treaty was placed -- on
16 the assumption that it was placed in 1995 -- there
17 wasn't any disclosure to be made about film finance
18 insurance, correct?

19 A. Correct.

20 Q. Now, the treaty was renewed, however,
21 correct?

22 A. Yes.

23 Q. And they're usually renewed annually, these
24 types of treaties?

25 A. It depends. This one was.

1 Q. In the renewal, is there usually a
2 submission as to the state of the business being
3 written at the time?

4 A. Yes.

5 Q. And were those presented to you before they
6 were shown to the reinsurer?

7 A. Yes.

8 Q. And it's your recollection that none of
9 those renewal presentations contained any reference
10 to GAP film financing?

11 A. Correct.

12 Q. Okay. At any time before you left AIG --
13 AIU, did you ever go back to look at those --
14 withdrawn.

15 At any time before you left AIU, but after
16 you discovered that Peter had been writing this
17 business, did you ever go back and look at any of the
18 presentations that were made to the reinsurers to see
19 whether the subject matter of this business was
20 contained in those proposals?

21 A. No, because I was reasonably sure it
22 wasn't.

23 Q. Based on your recollection of having seen
24 them in the beginning?

25 A. Yes.

1 Q. Now, I think we established -- if we
2 didn't, let me do it now -- this was a quota-share
3 reinsurance treaty?

4 A. Yes.

5 Q. And do you remember what the percentages
6 were under the treaty; that is, what percentage of
7 any particular risk that was written was retained by
8 the company for whom AIU -- Mr. Gumbrecht was writing
9 for?

10 A. If you want to rely upon a recollection --

11 Q. Yeah, that's fine.

12 A. -- I'm not sure it's accurate. I think it
13 was 25 percent of the first 10 million.

14 Q. Okay.

15 MR. BANNIGAN: Since we don't want to
16 rely on your recollection, Stuart, I'm asking for the
17 treaty, as well as all of its renewals.

18 MR. COTTON: Okay. To help me as I
19 take it this under advisement with the others, could
20 you tell me --

21 MR. BANNIGAN: Excuse me?

22 MR. COTTON: Could you tell me its
23 relevance?

24 MR. BANNIGAN: Yes, because when you
25 make a presentation to a reinsurer, just as you do

1 when you make a presentation to a direct insurer,
2 there is a duty to inform the company of the nature
3 of the business you're asking to reinsure. That
4 would necessarily include the company's understanding
5 of what they're doing about GAP business prior to the
6 writing of the Litto risk, which is the demarcation
7 point for discovery on this subject.

8 Q. (BY MR. BANNIGAN) Who put together the
9 presentation to the reinsurers for this quota-share
10 treaty?

11 A. Peter.

12 Q. And were you the only person at AIU that
13 reviewed it before it went to the organization within
14 the AIG empire that arranged reinsurance?

15 A. Yes.

16 Q. Do you remember who -- withdrawn.
17 Was there a specific individual in that
18 part of the AIG empire that dealt with this
19 particular quota-share reinsurance treaty?

20 A. Yes.

21 Q. Who is that?

22 A. Wayne Bookalill.

23 Q. Could you spell his last name? B-o --

24 A. B-o-o-k --

25 Q. Okay. That's easy.

1 A. -- a-l-i-l-l, I believe. By the way, for
2 the record, it was Julie Hespy (phonetic) that was
3 the environmental manager that worked for me for two
4 years.

5 Q. Okay.

6 A. So I can sleep tonight.

7 Q. All right. When you discovered --
8 withdrawn.

9 Subsequent to your discovery that
10 Mr. Gumbrecht was writing GAP financial insurance --
11 withdrawn -- GAP film financial insurance, did you
12 ever have a discussion with this gentleman in the
13 reinsurance arm of AIG about the fact that that
14 business was being written and, at least notionally,
15 should have been included in the treaty?

16 THE REPORTER: At least -- what was
17 that?

18 MR. BANNIGAN: I'll rephrase it.

19 Q. (BY MR. BANNIGAN) Did you ever have a
20 discussion with Mr. -- how did you pronounce the
21 name?

22 A. Bookalill?

23 Q. -- yes, Mr. Bookalill about GAP film
24 finance insurance?

25 A. No.

1 Q. Did you ever have a discussion with anybody
2 in the reinsurance segment of AIG about that type of
3 insurance?

4 A. No.

5 Q. Now, did you -- withdrawn.

6 After you received the supplemental report
7 from Mr. Gumbrecht and advised him that the
8 prohibition against writing this insurance was
9 continuing, to your knowledge, were there subsequent
10 GAP risks written?

11 A. To my knowledge, at what point in time?

12 Q. Anytime after you gave your first direction
13 to Mr. Gumbrecht not to write any additional GAP film
14 finance insurance risks?

15 A. Yes.

16 Q. You found out that there were additional
17 risks written?

18 A. Yes.

19 Q. When did you discover that?

20 A. At the point of Peter's departure.

21 Q. Departure from London to Paris or departure
22 from Paris to another form of employment?

23 A. From Paris to another form of employment.

24 Q. And how did you come to discover that
25 additional GAP film finance risks were written after

1 your direction that that should not occur?

2 A. I had repeatedly asked Peter for updates on
3 the amount of policies that we had on the books that
4 wrote this type of coverage. I was not satisfied
5 with the responses and continued to press and finally
6 went over there.

7 Q. I'm sorry. Continued?

8 A. To press, and finally went over there to,
9 among other things, to see for myself exactly how
10 many we had.

11 MR. COTTON: Could you read the
12 question and answer back for me, please?

13 (Requested portion was read.)

14 Q. (BY MR. BANNIGAN) Okay. You say you
15 weren't satisfied with the responses. In what
16 respect were you dissatisfied?

17 A. There seemed to be a continual delay in
18 getting me a simple exhibit.

19 Q. In other words, you weren't getting a
20 response?

21 A. Yes.

22 Q. And when was it that you decided that you
23 would personally go over to determine the number of
24 risks that were written?

25 A. October.

1 Q. Of?

2 A. '98.

3 Q. Of 1998? And did you go to London
4 initially?

5 A. Yes.

6 Q. Okay. And you did an audit of sorts?
7 Withdrawn.

8 You did -- you engaged in some exercise to
9 determine the number of GAP financial risks that had
10 been written during the period of time that
11 Mr. Gumbrecht was with AIU, located in London?

12 A. Yes.

13 Q. And what did you discover?

14 A. That we had a great many more than a half a
15 dozen films with a great deal more premium than
16 originally described and a great deal more limits at
17 risk.

18 Q. Okay. And what did you do then, when you
19 found that out?

20 A. Well, shortly before I found that out,
21 Peter resigned.

22 Q. Okay. And what reason, if any, did he give
23 for his resignation?

24 A. Stress.

25 Q. Stress?

1 A. (Moves head up and down.)

2 Q. What happens when you live in Paris. And
3 did he have another job opportunity to go to, as far
4 as you were aware of, when he left?

5 A. No.

6 Q. He did not have a job or you were not aware
7 of a job?

8 A. I was not aware of a job.

9 Q. Did you come to learn that he, in fact, had
10 a job prospect?

11 A. Yes.

12 Q. And what was that job prospect?

13 A. With some company in Los Angeles.

14 Q. Some company called Destination Films?

15 A. Yes.

16 Q. Okay. Have you spoken to Peter since his
17 departure from the company?

18 A. No.

19 Q. Have you tried to speak to Peter since his
20 departure from the company?

21 A. No.

22 Q. When you found out that there were a
23 significantly larger number of risks with a
24 significantly larger exposure having been written
25 during Mr. Gumbrecht's tenure, what did you do?

1 A. Reported it to Joe Smetna, Martin Sullivan,
2 and Tom Tizzio.

3 Q. And Martin Sullivan, who is he?

4 A. He was the president of AIU at that time.

5 Q. And you said we reported, who's the "we"?

6 A. Well, the raw material for the reports were
7 prepared by staff in London.

8 Q. What kind of report was prepared?

9 A. A spreadsheet which --

10 Q. Showed all the risks?

11 A. -- lists all the risks, limits, terms,
12 premiums, net risk.

13 Q. Okay.

14 MR. BANNIGAN: Stuart, I call for the
15 spreadsheet. I feel I have no documents from you.

16 MR. COTTON: As I said, I'll look at
17 all of these. I make no judgment on the spot, since
18 I am not completely up-to-date on the state of play
19 or the state of requests right now.

20 MR. BANNIGAN: All right. I won't
21 debate it with you now.

22 Q. (BY MR. BANNIGAN) Aside from the
23 spreadsheet, was there any other document prepared to
24 inform Mr. Sullivan and Mr. --

25 A. Smetna.

1 Q. -- Smetna and the other people?

2 A. I believe I had a cover letter --

3 Q. Okay.

4 A. -- which, you know, outlined the nature of
5 the risk.

6 Q. Okay.

7 MR. BANNIGAN: Just let me have a
8 standing request, Stuart. Every time the witness
9 mentions a document, I feel certain that I don't have
10 it. So let it be on the record that I'm making a
11 request for it.

12 MR. COTTON: I'd like it on the
13 record.

14 MR. BANNIGAN: Okay. All right.

15 MR. COTTON: I recognize certain ones
16 are obvious, but I'm sure he's going to mention a lot
17 of documents.

18 MR. BANNIGAN: So far he hasn't
19 mentioned one that's not obvious.

20 MR. COTTON: No. But the future lies
21 ahead.

22 MR. BANNIGAN: All right. Let's go
23 on.

24 Q. (BY MR. BANNIGAN) All right. What
25 happened after you sent the spreadsheet and the

1 statistical -- and your cover letter to these
2 gentlemen with respect to the GAP financial
3 underwritings of Mr. Gumbrecht?

4 A. It was decided to reinsure the book 100
5 percent.

6 Q. That was your net line of retained
7 business -- withdrawn.

8 You wanted to get a reinsurance to cover
9 the business that was retained on the books of the
10 companies that Mr. Gumbrecht had been writing for?

11 A. All the business.

12 Q. Well, you already had some reinsurance,
13 right?

14 A. Yes. But we decided to notify our treaty
15 reinsurers that we had written this business and to
16 take it out of the treaty.

17 Q. Okay. So this business was backed out of
18 the quota-share treaty that we discussed earlier?

19 A. Yes.

20 Q. Okay. And how were the quota-share
21 reinsurers notified that that's something that you
22 wanted to do?

23 A. There was a letter.

24 Q. Were you the author of the letter?

25 A. Yes.

1 Q. Okay.

2 MR. BANNIGAN: We'd call for the
3 letter.

4 Q. (BY MR. BANNIGAN) Was there any
5 information that accompanied the letter, such as the
6 spreadsheet or any other documentation that you're
7 aware of?

8 A. I don't recall what the -- whether we
9 included the spreadsheet or not. We discussed the
10 nature of the business and the fact that this is not
11 what we intended to put in the treaty and that we
12 intended to take it out.

13 MR. BANNIGAN: To the extent that
14 there were any attachments to the letter, Stuart,
15 I'll call for them.

16 Q. (BY MR. BANNIGAN) Did you receive any
17 communications back from any of the quota-share
18 reinsurers concerning this decision to back out this
19 business?

20 A. I believe some of them were concerned about
21 losing the premium.

22 Q. Well, you say they were concerned. Did
23 they put that in writing?

24 A. No. This came through, you know,
25 word-of-mouth back to the brokers.

1 Q. Can you identify any of the reinsurers that
2 were concerned about losing the premium?

3 A. I think AXA might be one of them.

4 Q. AXA?

5 MR. COTTON: Nobody understands the
6 French.

7 Q. (BY MR. BANNIGAN) Were you aware that AXA
8 was writing GAP film finance business itself at this
9 period of time, other than --

10 A. Yes.

11 Q. -- other than as your quota-share
12 reinsurer?

13 A. Yes.

14 Q. Aside from AXA that was concerned about
15 losing the premium on the quota-share reinsurance
16 treaty, did anybody else express concern about that,
17 any other reinsurer that you remember?

18 A. I don't recall if there were more than one.
19 There may have been, because there are many
20 reinsurers on a treaty reinsurance contract.

21 Q. Were there many on that quota-share
22 reinsurance treaty?

23 A. Yes.

24 Q. Okay. Do you remember any others that were
25 on it, besides AXA?

1 A. If I answered, it would be --

2 Q. Don't guess.

3 A. -- not reliable, so I don't want to answer
4 that.

5 Q. I have no doubt we'll see the paper.

6 A. Right.

7 Q. Now, when you said you were going to back
8 business out of the treaty, is it correct that the
9 only business you wanted to back out was that
10 business which fell within the broad definition, as
11 we're using it, of GAP film financial business?

12 A. Yes.

13 Q. In other words, you weren't going to back
14 out of any other business that was ceded to the
15 quota-share reinsurers?

16 A. No.

17 Q. Ultimately, did all of the reinsurers agree
18 to allow you to do that?

19 A. Yes.

20 Q. Did they charge anything for allowing you
21 to do that?

22 A. No.

23 Q. Was there some proration of the premium?

24 A. We took back from them the premium that we
25 had ceded to them under the treaty.

1 Q. And you somehow allocated -- well, I
2 guess -- nevermind -- withdrawn.

3 You took back 100 percent of it?

4 A. Yes.

5 Q. Now, that would be 100 percent only on the
6 current year, right?

7 A. No.

8 Q. All the way back to inception?

9 A. Yes.

10 Q. All right. And what did you do with this
11 business now that was completely exposed?

12 A. We reinsured it.

13 Q. And who did you reinsure it with?

14 A. GenStar.

15 Q. GenStar Indemnity?

16 A. Uh-huh.

17 Q. And who took the lead at -- within AIG --
18 I'm using that in the broadest possible way -- in
19 arranging the GenStar reinsurance?

20 A. Tim Green worked with an underwriter in
21 London.

22 Q. Tim Green. And Mr. Green was in London, or
23 did he --

24 A. Yes.

25 Q. And who did he work with, did you say?

1 A. An underwriter for GenStar in London.

2 Q. Do you remember his name?

3 A. I believe it was Cox.

4 Q. Cox?

5 A. (Moves head up and down.)

6 Q. And what involvement did you have in that
7 exercise?

8 A. I had -- I placed a call to the president
9 of GenStar.

10 Q. What was his name?

11 A. Kevin Brooks.

12 Q. Brooks?

13 A. Uh-huh.

14 Q. Is Mr. Brooks someone you knew --

15 A. Yes.

16 Q. -- from other relationships?

17 A. Yeah.

18 Q. And what was the purpose of your call to
19 Mr. Brooks?

20 A. To explain to him the reasons why we were
21 placing this -- making this unusual reinsurance
22 request.

23 Q. Were you the person who initially
24 approached GenStar?

25 A. No.

1 Q. Somebody else approached them, and then you
2 were brought in to talk to Mr. Brooks?

3 A. Yes.

4 Q. Who had made the initial approach?

5 A. Tim Green.

6 Q. In London?

7 A. Yes.

8 Q. Did you feel it was necessary to speak to
9 Mr. Brooks in order to effectuate this reinsurance?

10 A. Yes.

11 Q. Why?

12 A. Because it's highly unusual to place a
13 reinsurance of 100 percent of a risk.

14 Q. Why did you feel it was necessary to place
15 a reinsurance of 100 percent of the risk?

16 A. Because those were my instructions.

17 Q. Your instructions from whom?

18 A. Joe Smetna.

19 Q. Anybody else?

20 A. I presume there was a conversation with
21 Martin Sullivan, but that's speculation.

22 Q. You didn't have any conversation with him?

23 A. No.

24 Q. Was Mr. Greenberg involved at all, to your
25 knowledge?

1 A. I have no direct knowledge.

2 Q. When I say "Greenberg," I mean Evan
3 Greenberg.

4 A. I have no direct knowledge. It wouldn't
5 surprise me if he were advised of it.

6 Q. You had no conversations with Mr. Evan
7 Greenberg about the reinsurance with GenStar?

8 A. No.

9 Q. Now, who prepared, if anybody, the
10 presentation package to GenStar so that you could
11 transfer 100 percent of your exposure to them?

12 A. Tim Green and Rupert Dickson.

13 Q. Now, Mr. Dickson was an underwriter in
14 London?

15 A. Yes.

16 Q. And Mr. Dickson had been a broker before
17 that?

18 A. Yes.

19 Q. And, in fact, he had been a broker at C.E.
20 Heath?

21 A. Yes.

22 Q. And Mr. Dickson was a man who was familiar
23 with GAP film financial insurance, correct?

24 A. Yes.

25 Q. Because he'd actually placed some of it

1 with Mr. Gumbrecht, correct?

2 A. Yes.

3 Q. Now, before the presentation was made --
4 withdrawn.

5 Before the written presentation or
6 statistical presentation was made to GenStar, did you
7 review it? I don't mean detail. Just did you look
8 at it?

9 A. Yes.

10 Q. And just generally, to the extent that you
11 can recall it, what information did it contain?

12 A. It was a standard London placing slip,
13 along with the spreadsheet which identified every
14 risk.

15 Q. Was that all that was presented, was the
16 spreadsheet -- I mean, for statistical information?

17 A. Yes. Well, the spreadsheet also contained,
18 at that point, any loss information. There was, at
19 that point, one loss.

20 Q. Do you remember what risk --

21 A. No.

22 Q. -- had produced the loss?

23 MR. BANNIGAN: Stuart, we call for the
24 presentation, including any attachments.

25 Q. (BY MR. BANNIGAN) In your -- how many

1 conversations did you have with Mr. Brooks?

2 A. One.

3 Q. Could you tell us what you said to him and
4 what he said to you?

5 A. I told him that, you know, we were
6 approaching his London office to place this
7 reinsurance and the reasons for it. We'd gotten into
8 this business; it's not the kind of business we
9 typically write; we're not comfortable with it, and
10 wanted to get rid of it.

11 Q. What did he say?

12 A. He understood.

13 Q. Excuse me?

14 A. He understood.

15 Q. He said, I understand? That's all he said?

16 A. I don't remember any more specifics of the
17 conversation.

18 Q. Okay. Were you involved in the negotiation
19 of the premium for this transfer of 100 percent of
20 the GAP business that had been written?

21 A. The premium was the premium that we had
22 originally collected for.

23 Q. It was exactly the same premium?

24 A. (Moves head up and down.)

25 Q. There was no increase?

1 A. Correct.

2 Q. Now, did you -- was there ever an actual
3 reinsurance policy that was issued?

4 A. Yes.

5 Q. Okay. And do you remember any of the terms
6 of that policy?

7 A. It was the standard form. I don't remember
8 the specific terms.

9 Q. Were there any, to your knowledge, side
10 agreements, to your knowledge, agreements that were
11 outside of this policy itself between GenStar and --
12 withdraw. Let me rephrase that.

13 Who was the ceding company for this
14 reinsurance policy?

15 A. I would expect it would be New Hampshire.

16 Q. New Hampshire. Okay. And were there any
17 side agreements between New Hampshire and GenStar
18 relating to this reinsurance?

19 A. There was an agreement to engage a risk
20 manager to assist in managing the book and managing
21 any subsequent losses.

22 Q. And was that risk manager a company called
23 Ice Media?

24 A. Yes.

25 Q. And was there a -- withdrawn.

1 And was that company engaged to act, in
2 some capacity, as risk manager?

3 A. Yes.

4 Q. What understanding did you have, if any, as
5 to what the risk manager was to do in connection with
6 this reinsurance placement?

7 A. As losses came in --

8 Q. Uh-huh.

9 A. -- to analyze those and to see if they
10 passed the credibility test, given the experience of
11 the risk manager.

12 Q. Okay. What did you know, if anything,
13 about Ice Media at the time that they were engaged to
14 act as a risk manager in connection with the
15 reinsurance treaty?

16 A. That they were a company that specialized
17 in, you know, this arena and were very familiar with
18 the players for this business and would have the
19 ability to evaluate, you know, figures that would be
20 given to us as far as revenues generated off of a
21 given production and whether the pieces fit.

22 Q. Did you make any investigation of the
23 background of Ice Media?

24 A. Peter did.

25 Q. Peter?

1 A. Gumbrecht.

2 Q. I thought Mr. Gumbrecht was gone at the
3 time you placed this treaty?

4 A. Yes. Our association with Ice Media
5 preceded his departure.

6 Q. Okay. So Mr. Gumbrecht had done some
7 investigation of Ice Media while he was writing this
8 business; is that correct?

9 A. Yes.

10 Q. Okay. And how do you know that he actually
11 did some investigation about the expertise, if you
12 will, of Ice Media?

13 A. His conversations.

14 Q. Was there anything in his initial report to
15 you dealing with risk managers such as Ice Media?

16 A. Yes.

17 Q. Okay. All right. Other than that
18 qualification, if you will, of Ice Media to be the
19 risk manager for the reinsurance treaty, was any
20 other investigation done that you're aware of about
21 Ice Media?

22 A. No.

23 Q. Do you know whether GenStar did any
24 investigation of Ice Media to determine their
25 qualification for this position?

1 A. I don't know.

2 Q. Okay. Did you ever -- have you ever spoken
3 to anybody from Ice Media?

4 A. Yes.

5 Q. Who have you spoken to?

6 A. Graham Bradstreet.

7 Q. And what were the circumstances under which
8 you spoke to Mr. Bradstreet?

9 A. During the course of Peter's effort to
10 educate both myself and Bob Lewis, he encouraged us
11 to come to London and meet with Ice Media.

12 Q. And you did so?

13 A. Yes.

14 Q. And how many times did you have occasion to
15 meet Mr. Bradstreet?

16 A. Once.

17 Q. Just that one time?

18 A. (Moves head up and down.)

19 Q. And you and Mr. Lewis met him in London --
20 well, you met him in London?

21 A. Yes.

22 Q. Was Mr. Lewis with you?

23 A. No.

24 Q. Was anybody with you?

25 A. Peter.

1 Q. Where did you meet Mr. Bradstreet?

2 A. At their offices.

3 Q. At Ice Media's offices?

4 A. Yes.

5 Q. And how long a meeting did you have with
6 him?

7 A. Two hours.

8 Q. Did you make any notes during that meeting?

9 A. Probably.

10 Q. It's your custom to make notes when you
11 have meetings of some significance?

12 A. Yes.

13 Q. What do you generally do with -- this is
14 general now, not necessarily that. What do you
15 generally do with your notes of meetings on matters
16 of some significance?

17 A. Throw them in a correspondence file.

18 Q. Okay. And to the extent that you took
19 notes during your meeting with Mr. Bradstreet, do you
20 have any reason to believe that you departed from
21 your normal practice of throwing them in the
22 correspondence file?

23 A. No.

24 Q. So if you took notes, would they be in that
25 file, as far as you know?

1 A. They should be.

2 Q. Okay.

3 MR. BANNIGAN: We call for the
4 correspondence file, including any notes that
5 Mr. Murphy took during his meeting with
6 Mr. Bradstreet.

7 Q. (BY MR. BANNIGAN) When you met with Mr. --
8 how do you pronounce it?

9 A. Smetna.

10 Q. -- Smetna, did you take notes during that
11 meeting?

12 A. No.

13 Q. When you met with Mr. Lewis the first time,
14 did you take any notes?

15 A. No.

16 Q. When you had your first conversation with
17 Peter about your audit, did you take any notes?

18 A. No.

19 Q. Is the only occasion that you recall taking
20 notes in respect to GAP film finance business your
21 meeting with Mr. Bradstreet?

22 A. I would expect there were other occasions.

23 Q. And those notes would be in the
24 correspondence file?

25 A. (Moves head up and down.)

1 MR. BANNIGAN: We'd call for them.

2 Q. (BY MR. BANNIGAN) Someday maybe we'll see
3 those notes, but we may not. So why don't you tell
4 me what you said to Mr. Bradstreet and what
5 Mr. Bradstreet said to you, to the extent that you
6 can recall it?

7 A. He basically explained, you know, the
8 income streams available for the product of Hollywood
9 these days, whether it's television or movies or
10 whatever, and the different distribution income
11 streams, whether it's movies or tapes, rentals or
12 syndication, and movie distribution, both in the U.S.
13 and outside the U.S.

14 Q. During the course of your meeting with
15 Mr. Bradstreet, did he provide you with any
16 documentation of any kind to corroborate or
17 substantiate, validate the things he was telling you?

18 A. There was a presentation that described
19 some of the terms and who the parties were in the
20 financial arrangement.

21 Q. And consistent with your practice with your
22 notes, would that presentation have also found its
23 way into the file that you maintained on this matter?

24 A. Yes.

25 MR. BANNIGAN: Call for the production

1 of that presentation. Let me just take a couple of
2 minutes.

3 (Break was taken from 10:38 a.m. to 10:44 a.m.)

4 Q. (BY MR. BANNIGAN) Now, the reinsurance
5 with GenStar, approximately when was that placed, at
6 the end of '98?

7 A. Early '99. It was like January '99, I
8 think.

9 Q. And when was it that you left AIG?

10 A. The end of '99.

11 Q. December-ish?

12 A. Yeah.

13 Q. Between early 1999, when the business was
14 placed with GenStar, and the time you left in the
15 last part of 1999, did you have any occasion to
16 devote any time to the GAP film finance insurance
17 that had been ceded to GenStar?

18 A. Yes.

19 Q. And what activities did you find yourself
20 engaged in in that respect?

21 A. It was reported to me that we were late in
22 paying some of the premiums and that communication
23 with our claims department was not what it should be
24 between ourselves and GenStar, so I got involved to
25 be sure that those issues were cleared up.

1 Q. Okay. The late payment of premium,
2 wasn't -- was the premium paid all at once on this,
3 or was it to be paid all at once?

4 A. The bulk of it was paid. But as not all
5 the business had given us premium yet, it was only
6 when we got the premium that we would give it to the
7 reinsurers, so there was still premium in the
8 pipeline.

9 Q. Under this particular reinsurance treaty,
10 was there any adjustment to the premium depending on
11 loss experience going forward?

12 A. No.

13 Q. Was the -- was this reinsurance a onetime
14 premium payment insurance?

15 A. Other than what I just explained, yes.

16 Q. It was? Okay. Now, you said that there
17 were some communication problems with the claims
18 department?

19 A. Yes.

20 Q. What was the nature of the problem?

21 A. Some of our claims people were adjusting
22 claims as they normally do, you know, as they
23 normally would for any insurance policy, whereas, in
24 this case, they needed to be communicating with the
25 reinsurer on a much closer basis than normal.

1 Q. Was there a cooperation clause of some sort
2 in the reinsurance treaty which required a greater
3 cooperation between the ceding company and the
4 reinsurer than would normally be the case?

5 A. I believe there may have been claim
6 reporting stipulations in the contract.

7 Q. During the period of time -- well, did you
8 resolve those problems?

9 A. Yes.

10 Q. And were there any other problems that came
11 up during the period prior to your leaving with
12 respect to this reinsurance treaty?

13 A. Just general reconciliation of, you know,
14 do we have all the accounts listed and --

15 Q. At any period of time prior to your leaving
16 AIG, did you ever learn that GenStar felt that there
17 had not been full and complete disclosure relating to
18 the underlying risks that they were reinsuring?

19 A. No. Let me say I guess that would be a
20 matter of degree.

21 Q. I don't know. I don't know what was said.

22 A. No, the same questions that were asked, you
23 could arguably say, you know, are we complying, and I
24 made sure that we were.

25 Q. Well, what were the questions that were

1 being asked that gave rise to whether there was full
2 and fair disclosure --

3 MR. COTTON: Could I have --

4 Q. (BY MR. BANNIGAN) -- whether there was
5 full and fair disclosure?

6 MR. COTTON: I'd like to go back and
7 hear the last series -- let's make it two questions
8 and answers.

9 MR. BANNIGAN: Sure.

10 (Requested portion was read.)

11 MR. COTTON: I'm going to move to
12 strike whatever was nonresponsive.

13 MR. BANNIGAN: I thought it all was
14 responsive.

15 MR. COTTON: Beyond the "no," I
16 thought none of it was.

17 Q. (BY MR. BANNIGAN) When you said --
18 withdrawn.

19 What concerns arose between -- of a nature
20 which related to whether the ceding company was
21 complying, as you used the term "complying" in your
22 answer?

23 A. Well, on premium payment.

24 Q. Okay.

25 A. At one point, GenStar had a number that

1 they thought was the premium, and it didn't agree
2 with the number that we thought was the premium. And
3 so, depending on how you want to cast that situation,
4 if GenStar's numbers were right, then we would not be
5 in compliance. If, in fact, they were wrong, then we
6 were.

7 Q. Okay. Aside from issues relating to
8 premium, was there any concern expressed to you that
9 GenStar felt that they had not been given all of the
10 details material and relevant to the risks that were
11 being ceded to them?

12 A. Yes, because there was an issue of the
13 files. We had told them we'd give them all of our
14 files.

15 Q. Told them you would give them all your
16 files?

17 A. Right. And we had -- because it was, you
18 know, a lot of file material, we had sent it to an
19 outside contractor to copy it and, subsequently,
20 found out that they did a poor job of it as far as
21 mixing up the file contents and damaging some of the
22 files to begin with. So there was -- and they took a
23 long time. So there was some concern about getting
24 the files delivered that they had expected sooner.

25 Q. Was the -- were these problems rectified?

1 A. Yes.

2 Q. And was it your responsibility to get these
3 problems rectified?

4 A. Yes.

5 Q. Who was the outside contractor that made a
6 botch of the reproduction?

7 A. I don't recall. It was done locally in
8 London.

9 Q. It was done in England?

10 A. Yeah.

11 Q. I take it -- let me start again.

12 Were these files that were to be delivered
13 to GenStar to be delivered after it was already
14 agreed by GenStar to write the business?

15 A. Yes.

16 Q. So they had -- withdrawn.

17 Is it the case that they agreed to
18 underwrite this business, as far as you know, based
19 solely on the spreadsheet that you mentioned earlier
20 and any other documents that accompanied that
21 spreadsheet and your conversation with Mr. Brooks and
22 Mr. Green's conversations with whoever it was he
23 spoke to?

24 A. I believe there was a number of
25 conversations that took place in London.

1 Q. Between Mr. Green and Mr. Cox?

2 A. Yes.

3 Q. Are you privy to the substance of those
4 conversations?

5 A. Discussing the risks in detail. I'm not
6 privy to the conversations, no.

7 Q. Were there any memorandum or documents
8 prepared by Mr. Green concerning his discussions with
9 Mr. Cox that you've ever seen?

10 A. No.

11 Q. Do you know whether, prior to the time that
12 you left AIG, there had been a demand by GenStar for
13 arbitration --

14 A. No.

15 Q. -- concerning the business that was ceded
16 to them?

17 A. No.

18 Q. Have you ever heard that they asked for
19 arbitration of disputes involving this business?

20 A. No, this is the first I've heard.

21 Q. I'm not saying it happened. I'm just
22 asking whether you ever heard it.

23 A. I just heard it a moment ago.

24 MR. COTTON: Don't believe him.

25 Q. (BY MR. BANNIGAN) Now, Mr. Green, at some

1 point, came to the United States to work in New York.

2 Am I right?

3 A. Yes.

4 Q. When was that?

5 A. Around midyear '99, I believe.

6 Q. Midyear of '99. And that was --

7 Mr. Gumbrecht, now, is gone?

8 A. Yes.

9 Q. Now, were you aware that when Mr. Green was
10 located in London, that he had, in fact, underwritten
11 a significant number of GAP film financial risks?

12 A. No.

13 Q. You were not aware of that? You were not
14 aware of that?

15 A. Right.

16 Q. Are you aware of that now?

17 A. Tim's description of events were he signed
18 documents at Peter's direction.

19 Q. The Nuremberg defense. Okay. Let's
20 explore that a little bit. When did you first learn
21 from Mr. Green that he had -- let me rephrase that.

22 Are you -- you are familiar, I take it,
23 with the practice in London that, when an underwriter
24 accepts a piece of business, one of the ways he does
25 that is to put a scratch on the -- either on the

1 placing memo or on the line slip or some offering
2 document?

3 A. A scratch?

4 Q. Initials.

5 A. Oh.

6 Q. That's what they call it. I didn't make it
7 up.

8 A. Oh, I hadn't heard the term before. The
9 signed slip is a typical custom.

10 Q. Right. Okay. And they put a stamp down
11 sometimes?

12 A. Yes.

13 Q. Okay. Now, were you aware that Mr. Green
14 had signed or scratched and stamped a number of
15 acceptances of GAP finance film finance businesses?

16 MR. COTTON: Can we have a time frame
17 of when he was aware?

18 MR. BANNIGAN: I'm just asking whether
19 he was aware, and then we'll find out when.

20 MR. COTTON: Ever?

21 MR. BANNIGAN: Ever, at this point.

22 A. Yes.

23 Q. (BY MR. BANNIGAN) And when did you become
24 aware of that?

25 A. After the fact. That would be in 1999.

1 Q. You were not aware of that, as a result of
2 your audit that preceded -- that was in 1998,
3 correct?

4 A. Correct.

5 Q. And you were not aware of that, based on
6 anything that Peter told you in his original response
7 to your audit inquiry, correct?

8 A. That's correct.

9 Q. And you were not aware of that as result of
10 any of the subsequent responses that Peter made; is
11 that correct?

12 A. Correct.

13 Q. And when you came over to London because
14 your -- because of your dissatisfaction with the
15 follow-up by Mr. Gumbrecht, did you discover that
16 Mr. Green had signed a number of risks?

17 A. No.

18 Q. When you came to London to determine the
19 extent to which GAP film finance risks had been
20 written, what documents did you look at to make that
21 determination?

22 A. Looked at the files. And this was in '99.
23 I looked through the files in detail.

24 Q. This was in '99?

25 A. (Moves head up and down.)

1 Q. When did Mr. Gumbrecht leave?

2 A. '98.

3 Q. Okay. I thought you had gone over just
4 about the time he left?

5 A. Yes. And I wasn't looking at files then.
6 I insisted upon the report.

7 Q. You were just looking at the spreadsheet?

8 A. Yes.

9 Q. That's all you saw?

10 A. Uh-huh.

11 Q. You didn't go behind the spreadsheet?

12 A. Right.

13 Q. So in 1999, you came back -- was that in
14 connection with the GenStar --

15 A. Yes.

16 Q. -- cession?

17 A. Yes.

18 Q. And that's when you looked at the files.

19 And when you looked at the files, did you note that
20 there were various documents signed by Mr. Green?

21 A. Yes.

22 Q. And that was the first time you discovered
23 that?

24 A. Yes.

25 Q. And you had a conversation or more than one

1 conversation with Mr. Green about that?

2 A. Yes.

3 Q. Okay. And the first conversation, what did
4 he -- just tell me the substance of what he said to
5 you and what you said to him when you found his
6 signature on some of these risks.

7 A. I asked him about it, and he described the
8 fact that he understood that Peter had the authority
9 to do it and he did it per Peter's instruction.

10 Q. Now, did you understand from that that each
11 specific risk Peter had approved -- withdrawn.

12 Was it your understanding that with respect
13 to each risk on which you found Mr. Green's
14 signature, that Peter Gumbrecht had approved that
15 risk prior to Green's --

16 A. Yes.

17 Q. -- signing it?

18 A. Yes.

19 Q. Okay. So it wasn't a general authority
20 that Peter had conferred on these people to sign, it
21 was a per risk specific authority?

22 A. Yes.

23 Q. Did you, while you were -- withdrawn.

24 Did you come to meet a gentleman by the
25 name of Filapek (phonetic)?

1 A. Yes.

2 Q. I think it's Mark Filapek?

3 A. Yes.

4 Q. And Mr. Filapek was also an underwriter in
5 AIG Europe U.K. that was writing GAP film finance
6 risks, right?

7 A. He worked for Peter.

8 Q. Okay. When you went through the files, did
9 you find risks that, in their acceptance, reflected
10 Mr. Filapek's signature?

11 A. I don't recall.

12 Q. Did you ever talk to Mr. Filapek about the
13 fact that that office was writing film finance risks?

14 A. No.

15 Q. So you had no conversations with Filapek
16 about this type of business?

17 A. Correct.

18 Q. Why is that, that you didn't talk to him?

19 A. The time -- at the point I got involved in
20 it, it was all after the fact. And Mark was a very
21 new, young underwriter, who didn't do anything other
22 than the specific instruction of Peter and,
23 subsequently, Tim.

24 Q. He was new in 1999?

25 A. He was new in -- when did he join us? In

1 1997, maybe. He was new to the insurance business,
2 and so he was a young underwriter being developed
3 then.

4 Q. Were you aware that he had worked at
5 another section of the London office, writing risks
6 other than film finance risks?

7 A. Yes, but he was a very young man.

8 Q. Okay.

9 A. He was -- I'm not sure of his college
10 background or where he came out of -- I think he
11 might have come right out of college.

12 Q. Came right out of college?

13 A. Well --

14 Q. Okay. But you never talked to Mr. Filapek
15 about the film finance business at any time that you
16 can recall?

17 A. No.

18 Q. Let me go back to Mr. Green. When you and
19 Mr. Green had your discussions about the fact that
20 his signature appeared on film finance risks, his
21 explanation to you was that each of those risks had
22 been approved by Mr. Peter Gumbrecht and he had
23 simply signed those at the direction of
24 Mr. Gumbrecht?

25 A. Yes.

1 Q. When Mr. Green was moved -- withdrawn.
2 Did you ever find out that that was not
3 true?

4 A. No.

5 Q. I -- let me make sure that we're clear on
6 that, that Mr. Green had written the business because
7 he understood that the office in which he worked was
8 authorized to write that business on behalf of New
9 Hampshire Insurance Company?

10 A. No.

11 MR. COTTON: I got to --

12 MR. BANNIGAN: Sure.

13 MR. COTTON: I still have a problem
14 with the "authorized." Are you using it in the same
15 sense as before? I just don't think that it's clear
16 what is meant.

17 MR. BANNIGAN: Okay.

18 MR. COTTON: I'll just leave that on
19 the record, and you can respond or not to it.

20 Q. (BY MR. BANNIGAN) As I understand, there
21 was a period of time when you gave Mr. Gumbrecht
22 directions that no further film finance risks should
23 be underwritten, correct?

24 A. No new.

25 Q. No new?

1 A. Yes.

2 Q. Okay.

3 A. And it was always the understanding, and
4 Peter affirmed it, that anything that had already
5 been bound --

6 Q. Sure.

7 A. -- would be honored.

8 Q. And if endorsements were necessary, he was
9 authorized to do that also?

10 A. (Moves head up and down.)

11 Q. Are you aware that during the period of
12 time, as you've defined the time, in early 1998, when
13 you gave that direction to Mr. Gumbrecht, that
14 Mr. Green underwrote risks of the type that were
15 prohibited by your direction?

16 A. Yes. Peter took a very broad view of what
17 it meant that something was already bound,
18 apparently.

19 Q. What was that view?

20 A. The way some of these deals were structured
21 were in slates, and there would be Slate 1 for the
22 same cast of characters, Slate 2, Slate 3. Peter,
23 apparently, construed that if he approved Slate 1 and
24 had bound it, then he was within his purview to also
25 do Slate 2 and Slate 3.

1 Q. Okay. So should I understand from that
2 that to the extent that Mr. Green's signature
3 appeared on the GAP film finance risks subsequent to
4 the period of time that you gave your directions to
5 Mr. Gumbrecht that no further new risks should be
6 written, that the risks on which Mr. Green's
7 signature appears are all slate films?

8 A. I don't know.

9 Q. Okay. In any event, at some point,
10 Mr. Green came to the U.S., correct?

11 A. Yes.

12 Q. And why did he come to the U.S.?

13 A. Well, my experience with Peter demonstrated
14 that I needed to have my profit center manager closer
15 to me.

16 Q. Okay. So you directed him to move to the
17 U.S.?

18 A. Yeah.

19 Q. And let me go back just before Mr. Green
20 came to the U.S. What was Mr. Green's responsibility
21 in the London office just prior to his being directed
22 to come to the U.S.?

23 A. He was the new profit center manager for
24 entertainment. He replaced Peter.

25 Q. So he took Peter's position?

1 A. Yes.

2 Q. Okay. So moving him to the U.S. wasn't a
3 promotion in the normal sense, it was simply that you
4 wanted him closer to your desk so that you would be
5 more familiar with what was being written?

6 A. Yes. And it was also more in the norm of
7 how the company was organized. It was unusual for
8 Peter to be out in the field. Profit center managers
9 are typically in New York for AIU.

10 Q. But Peter's operation was specifically set
11 up so that he would be out in the field, right?

12 A. It was a unique situation.

13 Q. Were there other situations like that in
14 the company that you're familiar with?

15 A. There may have been. I'm not specifically
16 familiar with them.

17 Q. And what did Mr. Green do once he moved to
18 New York?

19 A. The same thing he did in London. He just
20 did it from New York.

21 Q. Except that he didn't write any film
22 finance business?

23 A. Correct.

24 Q. But they did write entertainment packages
25 of the type that you described before?

1 A. Yeah.

2 Q. At some point, Mr. Gumbrecht moved from
3 London to Paris?

4 A. Yes.

5 Q. What was the reason for that?

6 A. It was the follow-on of what he had done in
7 London. He had developed a book of business in
8 London. We were looking for him to develop a book of
9 business in Europe.

10 Q. The same kind of business?

11 A. Yes.

12 Q. Okay. And at the time he -- at the time he
13 moved, were you aware that he had been writing film
14 finance risks?

15 A. Not beyond the half dozen very small
16 exposure initial report.

17 Q. So the direction that he shouldn't write
18 any more of that business applied both when he was in
19 London and when he went to Paris?

20 A. Yes.

21 Q. Do you know whether he, in fact, underwrote
22 any GAP financial business while he was in Paris?

23 A. There was one account which Peter had
24 conversations with a broker repeatedly over the space
25 of almost a year which wound up putting us in a

1 position where the broker felt that they, you know,
2 had been led to believe that we would provide a
3 market.

4 Q. Do you remember what the identity of that
5 risk was?

6 A. I remember the broker.

7 Q. Okay. Who was the broker?

8 A. Grassavoye.

9 THE REPORTER: I'm sorry?

10 THE WITNESS: French. Yeah, I'm
11 sorry. G-r-a-s-s-a-v-o-y-e.

12 Q. (BY MR. BANNIGAN) Was that a French
13 broker?

14 A. Yes.

15 Q. Do you remember the specific risk that was
16 written?

17 A. No, I don't remember the name of it. It
18 had something to do with an animated feature, I
19 think, cartoon, something like that.

20 Q. And did Peter write that?

21 A. I think we eventually issued the paper, but
22 we -- if not 100 percent, we insured it close to it.

23 Q. Now, when he -- at the time that you found
24 out that Peter had been writing GAP insurance and
25 gave him directions not to write any further

1 business, period, were you aware that the Lexington
2 was writing GAP film finance insurance?

3 A. Yes.

4 Q. And had you been aware of that before you
5 learned that Peter was writing that business?

6 A. No.

7 Q. How did you come to learn that the
8 Lexington was writing that business?

9 A. That was one of Peter's arguments for why
10 AIU should do it.

11 Q. I see. Okay. When you found out from
12 Peter that the Lexington was writing that business,
13 did you reach out to anybody at the Lexington to
14 discuss GAP film finance business with them?

15 A. That had come to Mr. Lewis. And that is,
16 in fact, what prompted me to go to Mr. Lewis with the
17 GAP financing business that Peter was proposing.

18 Q. When you say that had come to Mr. Lewis and
19 then that prompted you to go to Lewis, I'm a little
20 confused as to the order in which that happened.

21 A. I had gotten a call from Bob Lewis, saying
22 that someone in Lexington had approached him about
23 business that Lexington was writing and, in fact, you
24 know, said that AIU was writing the same business.
25 At which point, I said, yes. And apparently,

1 Lexington was looking to Bob for, you know, an
2 analysis and an opinion as to whether we should be
3 involved in this. And I -- we were both looking for
4 the same thing, so we decided we'd all go to one
5 court.

6 Q. Did you learn -- so everything you knew
7 about Lexington, other than what Mr. Gumbrecht told
8 you concerning GAP financial business, you learned
9 from Mr. Lewis?

10 A. Yes.

11 Q. Did you come to learn that the Lexington
12 had been writing this business for some years?

13 A. Yes.

14 Q. Did you have some understanding as to why
15 all of a sudden, in 1998, they were coming to
16 Mr. Lewis to find out whether they should be writing
17 this business?

18 A. No.

19 Q. Did you ask?

20 A. No.

21 Q. Did it strike you as peculiar that they'd
22 been writing the business for more than two years
23 before they decided they would talk to somebody in
24 New York about whether they should be doing so?

25 A. I can't say I always understood things that

1 occurred in Lexington.

2 MR. COTTON: Could I hear the question
3 again, please?

4 (Requested portion was read.)

5 Q. (BY MR. BANNIGAN) Is that a shorthand for
6 yes?

7 A. Yes.

8 Q. Okay. All right. Well, in any event, when
9 you weren't satisfied with Peter's original report
10 and, as a result of your discussion with Mr. Lewis,
11 you were still concerned about it, do you know
12 whether, on a parallel track, anybody directed
13 Lexington to stop writing that business?

14 A. I don't know.

15 Q. Was Mr. Lewis in a position within the
16 company to give such a direction to the Lexington?

17 A. No.

18 Q. Mr. Lewis, you described earlier, is also
19 uncomfortable about this business. Do you know
20 whether Mr. Lewis made a report up the chain within
21 the AIG organization to anybody about his discomfort
22 at the fact that the Lexington was writing this
23 business?

24 A. I don't know.

25 Q. Would you have expected him to do so, given

1 his position and his discomfort?

2 A. Quite possibly.

3 Q. And who would he have brought -- withdrawn.

4 In the normal course of events, who would
5 he have made such a report to?

6 A. I don't know, because I don't know who he
7 directly reported to.

8 Q. He was the chief credit officer of what
9 entity?

10 A. I don't know.

11 Q. How did you find him when you went to look
12 for him?

13 A. He called me. He called me.

14 MR. COTTON: Found him on the phone.

15 Q. (BY MR. BANNIGAN) All right. Was he at 70
16 Pine Street?

17 A. Yes. He was described as AIG's chief
18 credit officer. What that -- you know, who he
19 reports to doesn't necessarily follow from that.

20 Q. Right. Okay. In any event, you don't know
21 whether he ever did anything about his discomfort
22 vis-a-vis Lexington and its writing film finance
23 business?

24 A. That's correct.

25 Q. When the New Hampshire reinsurance treaty

1 with GenStar was effected, do you know whether --

2 A. It wasn't a treaty. It was really a
3 facultative placement.

4 Q. Okay. I'm sorry. You're right. You're
5 absolutely right.

6 When the reinsurance placement with GenStar
7 was arranged to cover the GAP film finance business
8 previously written by New Hampshire, do you know
9 whether the Lexington sought to transfer its exposure
10 on GAP film finance business in a way similar to the
11 GenStar arrangement?

12 A. I don't know if they did.

13 Q. Do you know whether they tried to?

14 A. No.

15 Q. You don't know anything one way or the
16 other about it?

17 A. I'm pretty sure they didn't.

18 Q. They didn't?

19 A. I don't know if they tried to.

20 Q. Why are you pretty sure they didn't?

21 A. Because they had asked me, at one point,
22 why we didn't include Lexington in our arrangement
23 with GenStar.

24 Q. And you said?

25 A. I don't work for Lexington.

1 Q. Is that simply the reason?

2 A. Yeah, I was managing my own book.

3 Q. Not your responsibility?

4 A. That's right.

5 Q. Did the person who asked you that express
6 some interest or desire that you should have included
7 their exposures in that treaty -- in that
8 reinsurance?

9 A. Yes.

10 Q. And who was the person who discussed this
11 subject with you?

12 A. Sal Nosiferro (phonetic).

13 Q. And what was Mr. Nosiferro's position at
14 that time?

15 A. He ran entertainment on the domestic side.

16 Q. For AIU, AIG, the Lexington?

17 A. AIG and the various companies. When I say
18 the domestic side, that, to me, means AIG. We're
19 international.

20 Q. Okay.

21 A. Or we were international.

22 Q. Okay. And how did it come about that
23 Mr. Nosiferro and you had this conversation about the
24 GenStar treaty -- the GenStar reinsurance?

25 A. At that point in time, we were talking

1 amongst ourselves on all aspects of the entertainment
2 business.

3 Q. And what was it he said to you about the
4 fact that you hadn't included the Lexington's
5 exposure on this business?

6 A. Just that he wished we had.

7 Q. Did he say why?

8 A. No.

9 Q. Did you ask him why?

10 A. No.

11 Q. Did you make some assumptions as to why he
12 was asking you?

13 A. Yes.

14 Q. And what were the assumptions that you
15 made?

16 A. That he wasn't any more comfortable with
17 the business than we were, and the losses at that
18 point may have been emerging.

19 Q. Do you have any knowledge as to whether or
20 not Mr. Nosiferro was aware, prior to your
21 conversation, that that business, as an ongoing
22 matter, was being written by the Lexington?

23 A. I'm sorry?

24 Q. I'll rephrase that. Mr. Nosiferro, in a
25 conversation with you, in words or substance,

1 expressed some concern that he would like to have
2 seen the Lexington's exposure on GAP financial
3 business reinsured either with GenStar or in a
4 similar arrangement, correct?

5 A. Correct.

6 Q. All right. Did you ever come to learn when
7 it was that Mr. Nosiferro first learned that
8 Lexington was writing GAP film finance business?

9 A. I think it was about the time that Bob
10 Lewis was brought into it, that Bob Lewis was brought
11 into the question of should we write this.

12 Q. To your knowledge, was -- I won't spend a
13 lot of time on this -- this raises the Lexington.
14 But was it your understand -- withdrawn.

15 Did you come to the understanding that, to
16 the extent that the Lexington was writing film
17 finance business, it was also writing it out of
18 London?

19 A. Yes.

20 Q. Okay. And what was the underwriting
21 structure in the Lexington for writing this kind of
22 business? And by that I mean, to draw a parallel
23 with New Hampshire, the New Hampshire situation had
24 AIG Europe U.K. as sort of their underwriting
25 manager, if you will. Was there a similar

1 arrangement for Lexington?

2 A. Well, Lexington is a surplus lines company,
3 and they operate differently than admitted companies.
4 If you mean from an underwriting perspective,
5 Lexington in London reported to Lexington in New York
6 or Boston, actually.

7 Q. The home office, wherever that is?

8 A. Right.

9 Q. So it wasn't an agency underwriting
10 arrangement, such as existed with -- between New
11 Hampshire and AIG U.K.?

12 A. No, they were company employees.

13 Q. Okay. And did Mr. Nosiferro have any
14 position, title, in Lexington?

15 A. You'd have to ask him.

16 Q. You don't know. Okay. Well, he was
17 responsible -- withdrawn.

18 Under the umbrella of whatever his
19 responsibility was, he had domestic entertainment
20 business?

21 A. Yes.

22 Q. Did he also have under his umbrella
23 international entertainment business?

24 A. To the extent that Lexington wrote it, yes.

25 Q. Okay. We'll pick it up with Mr. Nosiferro.